

THE COMPLIANCE CONNECTION

REGULATORY NEWS FOR VIRGINIA MORTGAGE AND CONSUMER FINANCE COMPANIES
STATE CORPORATION COMMISSION - BUREAU OF FINANCIAL INSTITUTIONS

WINTER 2007



The Compliance Connection is published quarterly and is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage, consumer finance and industrial loan association licensees, and other interested parties. It is the licensee's responsibility to read this newsletter and to be familiar with the positions and interpretations stated herein.

Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau at P.O. Box 640, Richmond, VA 23218-0640 or via email at bfquestions@scc.virginia.gov.

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Sidney A. Bailey:

Recognized by Joint Resolution

SENATE JOINT RESOLUTION NO. 507

Celebrating the life of Sidney A. Bailey.

Agreed to by the Senate, February 15, 2007

Agreed to by the House of Delegates, February 20, 2007

WHEREAS, Sidney A. Bailey, former Commissioner of Financial Institutions for the State Corporation Commission, died on October 28, 2006; and

WHEREAS, a native of West Virginia, Sidney Bailey graduated from high school in Christiansburg, Virginia, in 1947 and immediately enlisted in the Navy; and

WHEREAS, Sidney Bailey joined the Air Force in 1950 and served in the Korean War; and

WHEREAS, after graduating from the University of Virginia's McIntire School of Commerce in 1958, Sidney Bailey joined the federal Office of the Comptroller of the Currency (OCC) as an assistant national bank examiner; and

WHEREAS, in 1967, Sidney Bailey earned a master's degree in business administration from the College of William and Mary and then worked in the OCC's regional office in Richmond from 1967 to 1970; and

WHEREAS, after spending a year in Washington, D.C., as assistant chief national bank examiner in the OCC, Sidney Bailey moved to Memphis, Tennessee, to be deputy regional administrator of National Banks, a position he held from 1971 to 1977; and

WHEREAS, in 1977, Sidney Bailey was hired to lead the Virginia Bureau of Financial Institutions, a division of the State Corporation Commission, and he rendered distinguished service to the Commonwealth for two decades, making sure Virginia financial institutions lived up to their obligations to their customers; and

WHEREAS, the greatest challenge of Sidney Bailey's tenure was the savings and loan crises of the 1980s and early 1990s, and it is in part due to his wisdom and leadership that Virginia banks escaped relatively unscathed from those tumultuous years; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the General Assembly hereby note with great sadness the loss of Sidney A. Bailey, a dedicated public servant and a fine Virginian; and, be it

RESOLVED FURTHER, That the Clerk of the Senate prepare a copy of this resolution for presentation to the family of Sidney A. Bailey as an expression of the General Assembly's respect for his memory.



Recent Advertising Violations

The Bureau continues to cite violations of the new regulation relating to advertisements by mortgage lenders and brokers (10 VAC 5-160-60). Below is a list of some violations recently noted:

- Failure to *clearly and conspicuously* disclose
 - the licensed name of the company placing the advertisement
 - a statement that the mortgage lender and/or broker is licensed by the “Virginia State Corporation Commission”
 - the license number assigned by the Commission to the mortgage lender and/or broker (ML – XXX, MLB – XXX, MB – XXX)
 - a statement identifying the source of information about a customer’s existing loan (e.g., public court records, credit reporting agency)
- Misleading or deceptive statements or misrepresentations such as:
 - Referring to a “special” or “unique” program when the program is not special or unique
 - Using statements and logos on envelopes and/or solicitations that give the false impression that the mailings are coming from a governmental entity
 - Using a return address in Washington DC and omitting the name of the licensee when the licensee has no physical presence in Washington DC
 - Failing to clearly and conspicuously disclose that by refinancing a consumer’s loan the consumer’s total finance charges may be higher over the life of the loan

Licensees should be aware that under 10 VAC 5-160-60 H, “clearly and conspicuously” means that a required disclosure is reasonably understandable, prominently located, and readily noticeable by a potential borrower of ordinary intelligence.

NOTICE: Annual Reports Due!

MORTGAGE LENDER AND BROKER LICENSEES:

The Bureau has recently mailed out late notices to the licensees that have failed to file their 2006 mortgage annual report form by March 1, 2007. The filing of the report is required by law (Section 6.1-418 of the Code of Virginia). If a mortgage lender/broker licensee has not yet filed the report, it must be filed *immediately*. The law does not provide for an extension of time for filing of the mortgage annual report. Please be advised that a fine may be imposed for late filing, and the severity of the penalty sought will be commensurate with the number of days the report is delinquent. The mortgage annual report form for 2006 may be downloaded from <http://www.scc.virginia.gov/division/banking/vareport.htm>. If you need assistance with the mortgage annual report, please contact Mr. Robert Mednikov at (804) 371-9692.

CONSUMER FINANCE LICENSEES:

Section 6.1-301 of the Code of Virginia requires consumer finance licensees to file an annual report on or before April 1 concerning the business conducted in the preceding calendar year. The statute does not provide for any extension of time to file. Failure to file the annual report by the due date may result in regulatory action (i.e. fines and or revocation of the licensee). The consumer finance annual report form for 2006 may be downloaded from <http://www.scc.virginia.gov/division/banking/vareport.htm>. If you need assistance with the consumer finance annual report, please contact Ms. Karen Heede at (804) 371-9372.

License Update

The following is a list of companies that have surrendered their license, had their license revoked, had an application denied, or been fined by the Commission since November 15, 2006. This list should be helpful to keep track of companies with which you do business. These lists are accurate as of February 15, 2007. Call the Bureau if you have a question concerning a recent denial, surrender or regulatory action taken by the Commission. A list of current mortgage licensees is available on our Web site at

www.scc.virginia.gov/division/banking/vamortgagelist.htm.

Mortgage Licenses Surrendered

MLB – 81 GMAC Mortgage Corporation d/b/a Ditech.com – 11/16/06	MB – 2033 Randolph K. Faulk d/b/a Mortgage Processing Center – 12/27/06
MLB – 951 123Loan, LLC – 11/20/06	ML – 682 Classic Home Lending, Inc. – 12/27/06
MLB – 788 American Money Centers, Inc. – 11/21/06	ML – 540 Harbourton Mortgage Investment Corporation – 12/29/06
MLB – 1028 DeepGreen Financial, Inc. – 11/22/06	MLB – 1199 Virginia Residential Mortgages, L.L.C. – 12/31/06
MB – 1810 Michael L. Shirley d/b/a Lighthouse World Mortgage Company – 11/27/06	MB – 2301 First Direct Mortgage, Inc. – 12/31/06
MB – 1249 Solera Mortgage Corporation – 11/28/06	MLB – 907 United Mortgage Lenders, Inc. – 12/31/06
MLB – 621 American Home Mortgage Corp. d/b/a American Brokers Conduit – 11/29/06	MB – 3309 Vigyai Inc. d/b/a Blue Lotus Lending Inc. – 12/31/06
MLB – 988 American Home Mortgage Acceptance, Inc. – 11/29/06	MB – 2896 Beltway Capital Inc. – 12/31/06
MLB – 819 Oak Street Mortgage LLC – 11/30/06	MLB – 1328 intohomes Mortgage Services, Inc. – 12/31/06
MB – 1943 Turnstone Mortgage Company, LLC (Used in VA by: Turnstone Mortgage Company) – 11/30/06	MLB – 952 Carolina State Mortgage Corporation – SURRENDERED ITS LENDER AUTHORITY ONLY 1/1/07 – NOW LICENSED AS MB - 3879
MB – 3242 Janis Financial, Inc. – 12/1/06	MB – 1183 Capitol Properties Management Group, L.L.C. d/b/a The Mortgage Company – 1/1/07
MLB - 1209 1 st Atlas Mortgage & Investment Corp. d/b/a 1 st Atlas Mortgage—SURRENDERED ITS LENDER AUTHORITY ONLY 12/4/06 – NOW LICENSED AS MB – 3761	MB – 1684 Elite Mortgage, LLC – 1/1/06
MB – 1094 The Milamar Corporation d/b/a Global Mortgage Resources – 12/7/06	MLB – 1373 Fidelity Mutual Mortgage Company (Used in VA by: Fidelity First Mortgage Company) – SURRENDERED ITS LENDER AUTHORITY ONLY – NOW LICENSED AS MB - 3805
MLB – 1104 Virginia One Mortgage Corporation – SURRENDERED ITS LENDER AUTHORITY ONLY 12/15/06 – NOW LICENSED AS MB - 3785	MB – 1648 Fitzsimmons, Lewis & Wade Mortgage Services Inc. – 1/1/07
ML – 615 Dominion Mortgage LLC – 12/15/06	MB – 2460 The Kirney Group, Inc. – 1/2/07
MB – 2588 Patriot Mortgage Company of America, Inc. – 12/15/06	MB – 1713 Virginia A. Sismanoglou d/b/a Capricorn Mortgage Co. – 1/3/07
MB – 2387 Mortgage One USA, Inc. – 12/19/06	MB – 1520 Boston Homes, Inc. d/b/a Ashley's Mortgage – 1/5/07
MB – 1379 Wampler's Homes, Inc. – 12/19/06	MB – 2396 Emerald Valley Financial Services, L.L.C. – 1/8/07
MLB – 1200 G&T Home Funding, LLC – SURRENDERED ITS LENDER AUTHORITY ONLY 12/19/06 – NOW LICENSED AS MB - 3788	MB – 1353 Diversified Financial, LLC – 1/8/07
MLB – 442 American Mortgage Express Corp. – 12/20/06	MB – 1518 Fairway Mortgage Services, Inc. (Used in VA By: The Coleman Group, Inc.) – 1/10/07
MLB – 1113 AmeriFirst Financial Corporation – 12/22/06	MB – 818 Charles W. Toney t/a Virginia Mortgage Center – 1/19/07
MLB – 1356 Waterford Financial Services, Incorporated d/b/a First Commonwealth Funding – SURRENDERED ITS LENDER AUTHORITY ONLY 12/22/06 – NOW LICENSED AS MB - 3814	MB – 2578 Potomac Glen Mortgage Corporation – 1/19/07

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Mortgage Licenses Surrendered (continued)

- MB – 1700 F&M Mortgage Group, L.L.C. – 1/22/07
- MLB – 1162 Hometown Lenders, L.L.C. – SURRENDERED ITS LENDER AUTHORITY ONLY 1/22/07 – NOW LICENSED AS MB - 3824
- MLB – 653 MortgageIT, Inc. d/b/a MIT Lending (in certain offices) – 1/23/07 (NOW EXEMPT)
- MLB – 1258 E Z Lending L.L.C. – SURRENDERED ITS LENDER AUTHORITY ONLY 1/26/07 – NOW LICENSED AS MB - 3830
- MB – 483 Friday Financial Advisors Group, Inc. – 1/30/07
- MLB – 1254 Coast To Coast Mortgage, Inc. – 1/30/07
- MB – 3163 America Best Mortgage, LLC – 1/31/07
- MLB – 1343 Surety Mortgage, LLC – 1/31/07
- ML – 542 UVEST Mortgage Services, LLC — 1/31/07
- MB – 856 Millennium Mortgage Corporation d/b/a A American Dream Mortgage Corporation – 1/31/07
- MLB – 1097 ECC Capital Corporation – 1/31/07
- MLB – 1271 Mortgage Center of America, Inc. – SURRENDERED ITS LENDER AUTHORITY ONLY 2/1/07 – NOW LICENSED AS MB - 3839
- MLB – 1336 Associated Mortgage Group, LLC – 2/1/07
- MLB – 1280 Bay Trust Mortgage, LLC – 2/1/07
- MLB – 1303 Century Mortgage Corporation of Georgia (Used in VA By: Century Mortgage Corporation) – 2/1/07
- MB – 1985 Advisa Mortgage Corporation – 2/5/07
- MB – 3406 Community First Mortgage, Inc. of Missouri (Used in VA By: Community First Mortgage Incorporated) – 2/6/07
- ML – 650 New State Mortgage, LLC d/b/a New State Mortgage Company – 2/12/07
- MLB – 1283 Potomac Home Funding, LLC – 2/15/07
- ML – 516 Sebring Capital Partners, Limited Partnership – 2/15/07

Mortgage Licenses Denied

- MB – 3531 BlueStar Capital Partners LLC – 1/4/07
- MB – 3540 Cardinal Banc & Mortgage Corporation – 1/17/07
- MB – 3434 LoanFund Exchange, Inc. – 1/23/07
- MB – 3321 At home mortgage corporation – 2/12/07

Mortgage Licenses Revoked

- MB – 3620 Mortgage Pros, Inc. d/b/a Mortgage Pros USA – 11/20/06 – for failure to continuously maintain surety bond as required by §6.1-413 of the Code of Virginia
- MB – 2785 Society Funding Group, LLC – 12/12/06 - for failure to continuously maintain surety bond as required by §6.1-413 of the Code of Virginia
- MB – 2596 Fidelity Financial Mortgage Corporation – 12/20/06 - for repeated failure to respond to the Bureau of Financial Institutions' examination report in violation of 10 VAC 5-160-50; and for failure to continuously maintain a surety bond as required by §6.1-413 of the Code of Virginia
- MB – 2015 First Community Lending, Inc. – 1/30/07 - for failure to continuously maintain surety bond as required by §6.1-413 of the Code of Virginia
- MB – 2500 Capital Markets LLC – 1/30/07 - for failure to continuously maintain surety bond as required by §6.1-413 of the Code of Virginia

Fines Paid by Mortgage Licensees

- ML – 278 Mortgage Lenders Network USA, Inc. – entered into a settlement on 12/8/06 and paid \$25,000 for violating various laws applicable to the conduct of its licensed business
- MLB – 28 Pulte Mortgage, LLC – entered into a settlement on 12/20/06 and paid \$20,000 for violating various laws applicable to the conduct of its licensed business
- ML – 306 Accredited Home Lenders, Inc. – entered into a settlement on 12/8/06 and paid \$500 for relocating an office without applying for and obtaining prior Commission approval

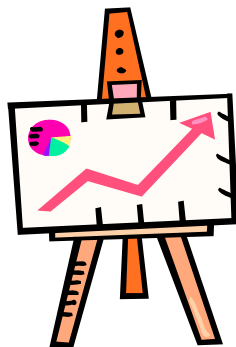
Refund of Mortgage Overcharges Tracked

Since the beginning of 2006, the Bureau has tracked the amount of overcharges refunded by mortgage licensees. The refunds are a result of violations cited in examination reports as well as violations found by the licensees after the Bureau's requested review of additional files. Once the final refund amounts are determined and evidence of such refunds is received by the Bureau, the refund amounts are entered into a spreadsheet for tracking purposes. In the first half of 2006, a total of **\$448,106.26** has been refunded by mortgage licensees as a result of the Bureau's examination findings. This money is returned directly to the affected Virginia borrowers. The Bureau will continue to update this information semi-annually in this newsletter.



Application Activity Continues Upward Trend

The Bureau experienced another record year in application filings for various certificates of authority and licenses. The total number of application filings increased to 3,484 in 2006, compared with 3,207 in 2005 and 2,971 in 2004. The Bureau regulates and processes applications from banks, trust companies, savings institutions, credit unions, mortgage lenders and brokers, consumer finance companies, check cashers, credit counseling agencies, industrial loan associations, money transmitters, and payday lenders. Presently, the Bureau regulates 3,226 financial institutions with thousands of offices. Mortgage license application filings (which include applications for additional offices and new licenses) were 2,416 in 2004, 2,757 in 2005 and 2,807 in 2006. These represented 81 percent of total applications received. Applications for new mortgage licenses were 585 in 2006 compared to 632 in 2005. As of March 2007, there were 2,397 licensed mortgage companies in Virginia.



Bureau Annual Report Posted to Web site

The 2006 Annual Report of the Bureau of Financial Institutions has been posted on the Bureau's Web site at <http://www.scc.virginia.gov/division/banking/annual.htm>. The report is divided into four sections: (a) Banks, Savings Institutions, Trust Companies, and Credit Unions (b) Mortgage Lender and Broker Licensees, Industrial Loan Associations, Money Transmitters, and Credit Counseling Agencies; (c) Consumer Finance Licensees, and (d) Payday Lender Licensees, and Registered Check Cashers. Report Sections for Consumer Finance Licensees and Payday Lenders will be updated during April to include operating data for these industries. A 2006 consolidated report for the Bureau will be published in the Spring after review of annual reports filed by the eleven different types of financial institutions and licensees regulated by the Bureau.

IMPORTANT COMMISSION TELEPHONE NUMBERS



Licensing (annual reports, applications, name changes, relocations).....(804) 371-9690

Consumer Finance and Mortgage Examinations(804) 371-9701

Consumer Complaints.....(804) 371-9705

Banks and Savings Institutions.....(804) 371-9704

Corporate Information – Clerk’s Office.....(804) 371-9733



Bureau of Financial Institutions

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IMPORTANT REGULATORY INFORMATION ENCLOSED!